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No. 75

In the Supreme Court of the United States

OCTOBER TERM, 1963

ARO MANUFACTURING CO., INC., ET AL., PETITIONERS,

v.

CONVERTIBLE TOP REPLACEMENT CO., INC.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

REPLY BRIEF FOR THE PETITIONERS

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The respondent's brief (hereinafter cited as Resp. Br.) fails to meet the contentions made in the petitioners' brief (cited as Pet. Br.). In addition, the respondent's brief at a number of places misrepresents the record, petitioners' position, the Government's position, holdings of this Court, and makes incorrect statements unsupported by the record, facts or authorities.

We shall endeavor to deal, as summarily as possible, with some basic errors contained in that brief, and with the specific matters in it which seem in most urgent need of correction.

I. NEITHER THE COURT, THE GOVERNMENT NOR PETITIONERS EVER LENT ANY SUPPORT TO RESPONDENT'S CLAIM TO PATENT MONOPOLY OVER ANY UNPATENTED REPLACEMENT FABRICS FOR FORD CARS.

Respondent falsely asserts that petitioners "accepted . . . that it was liable for at least repairing unlicensed Ford

cars (Resp. Br. 16)" and "Aro nowhere questions its liability for such acts of direct infringement, even now (Resp. Br. 24)." Quite to the contrary petitioners asserted even before trial in their motion to dismiss the complaint on summary judgment that the structures made, sold or installed by petitioners were "unpatented per se (I:24-25)." Respondent does not and cannot point to any portion of the record or our briefs where we conceded liability for making, selling or installing any unpatented replacement fabrics.

Respondent again asserts (Resp. Br. 17) that an often-cited letter dated May 3, 1960 from the Department of Justice represents Government recognition of "the legal distinction between G.M. and Ford cars . . . ." The brief filed by the Government in August 1960 flatly contradicts this assertion where the Government said:

> However, since replacement of the fabric is not direct infringement, petitioners, as supplier of the replacement, cannot be guilty of contributory infringement.[1]

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[1] 365 U.S. 336, Brief for the United States as Amicus Curiae p. 7. The Government also said, "Petitioners contend that the standards of 35 U.S.C. 271(c) are not met in this case, but for reasons set forth in the text we do not believe this question need be reached."

Section 271(a) provides:

"Except as otherwise provided in this title, whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefor, infringes the patent."

Section 271(c) provides:

"Whoever sells a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use *in an infringement of such patent*, and not a staple article or commodity of commerce suitable for substantial non-infringing use, shall be liable as a contributory infringer." (Emphasis added by the Court, 365 U.S. at 341 n.6)

Respondent implies (Resp. Br. 33) that the Government dissociated itself from the antitrust arguments advanced by petitioners. But the Government stressed the antitrust implications of the case.

Respondent omits both "the principal and . . . determinative" question presented and its answer in misconstruing the opinion of the Court as conferring patent monopoly over replacement fabrics for Ford cars (Resp. Br. 17-18).

The Court said:

> The principal, and we think the determinative, question presented here is whether the owner of a combination patent, comprised entirely of unpatented elements, has a patent monopoly on the manufacture, sale or use of the several unpatented components of the patented combination. 365 U.S. at 338-39.

The Court answered this question by saying:

> No element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly, however essential it may be to the patented combination and no matter how costly or difficult replacement may be. 365 U.S. at 345.

"Although the legal problems are primarily ones of substantive patent law, it has been recognized that they must be resolved in relation to the provisions and policy of the antitrust laws." Brief for the United States, p. 9. "In *Minneapolis-Honeywell, supra* [320 U.S. 680, 684], the Court said: 'The legality of any attempt to bring unpatented goods within the protection of the patent is measured by the anti-trust laws not by the patent law'." *Id.* p. 10 n.13.

Respondent falsely states (Resp. Br. 14): "When charged with infringement and contributory infringement by reason of these various activities, Aro solicited advice from their present counsel, who in turn advised that Aro *was* infringing the Mackie-Duluk patent (I:224)." The actual testimony is: "A. Well, upon notification of possible infringement, this letter from Mr. Hall, we called in our attorney, Mr. Wolf, and he thought that there possibly might be some infringement. We asked his advice."

It is impractical for us to point out each and every inaccuracy in respondent's brief, but we believe that we have brought enough of them to the attention of the Court so that the Court may exercise appropriate caution before accepting statements of fact and law in respondent's brief.

The Court explained:

> The basic fallacy in respondent's position is that it requires the ascribing to one element of the patented combination the status of patented invention in itself. Yet this Court has made it clear in the two *Mercoid* cases that there is no legally recognizable or protected "essential" element, "gist" or "heart" of the invention in a combination patent. 365 U.S. at 344-45.

Respondents laudatory comments on the fabric element (Resp. Br. 11-12) are irrelevant.[2] It is ridiculous for respondent to contend that every time the Court, the Government and we talked about unpatented fabrics, the words "only for General Motors cars" are to be implied as a modifier, for the replacement fabrics for Ford cars were just as unpatented as those for General Motors cars.

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[2] Respondent's citation (Resp. Br. 12) of some testimony (I:171-72) of its patent attorney expert Booth (I:153) on cross-examination by Mr. Wolf not only fails to support the allegation that the "fundamental concept lay in a new shape and arrangement of fabric (Resp. Br. 11)" but obscures the fact that Booth's testimony on the preceding page recognized that the very thing which is invented in any combination patent is the combination itself: "XQ. Read the portion that you think recites the essence of this invention, the provision of the seal. A. Well, when you say the portion which recites the essence of the invention, I would have to read the entire claim, Mr. Wolf (I:170)."

In quoting a part of Mr. Wolf's cross-question of respondent's witness Pickard (Resp. Br. 12), respondent misleadingly implies acceptance of Pickard's assertion by Mr. Wolf. Respondent omitted the bracketed words in quoting the question: ". . . [W]ill you agree that, the fundamental concept [that you saw in the G.M.'s '50-'55] was the attachment of the fabric below the body line a sufficient distance to permit raising and lowering the top; is that right (I:398-99)?"

II. THE CONDUCT OF RESPONDENT AND ITS ASSIGNOR IN EXPANDING COMBINATION PATENTS TO CONTROL UNPATENTED REPLACEMENT FABRICS IS WORSE THAN THE CONDUCT CONDEMNED BY THIS COURT IN MERCOID AS PATENT MISUSE AND VIOLATION OF THE ANTITRUST LAWS WHICH CASE RESPONDENT ATTEMPTS TO DISTINGUISH ON THE BASIS OF A SINGLE NONEXISTENT FACTUAL DISTINCTION.

A cursory reading of the questions presented in the Petition (Petition pp. 3-5, Pet. Br. 2-4) reveals the falsity of respondent's assertion (Resp. Br. 13) that "The sole issue now before the Court . . . is one of infringement. . . ." Respondent does make a feeble attempt to distinguish its misuse and antitrust law violations from that condemned in *Mercoid* by arguing that *Mercoid* condemns the licensing of unpatented elements for installation and use in a patented combination only if the licensor itself also sells goods in competition with other sellers of the unpatented elements (Resp. Br. 31-32). Respondent states:

> B. Insofar as Aro contends that there is some sort of *Mercoid* type violation here, the facts in this case clearly distinguished it from *Mercoid*. Respondent's activities have always constituted nothing more than a legitimate effort to license Aro under the patent, and to enforce its patent rights when Aro refused such a license. Respondent has never sold any goods; has never tried to monopolize the sale of any unpatented goods or to "tie" such goods to a patent license; and has taken no action which could possibly be deemed a patent misuse or antitrust law violation under any prior decision of this or any other court (Resp. Br. 9).

In *Mercoid* respondent Mid-Continent Investment Company argued under the heading "Misuse of the Patent and Violation of the Anti-trust Laws":

> Respondent Mid-Continent is not in the business of making or selling either complete heating systems or any of the elements thereof, and therefore is not in competition with anyone else, and from the foregoing it is inconceivable that Mid-Continent is attempting to monopolize in any way an unpatented article beyond the rights granted to it under the patent.[3]

If that non-manufacturing non-selling patent holding company respondent was held to have violated the antitrust laws by deriving its profit from the sales of an unpatented element for original installation in patented combinations made and used without the consent of the patentee, then this respondent shell suing corporation, formed to bring this suit against these petitioners while its assignor derived profits from the sales of an unpatented element for *replacement* installation in patented combinations made and used with the consent of the patentee, surely is guilty of miesuse and violation of the antitrust laws.

Respondent urges that holding its conduct in violation of the antitrust laws "is to deny patentees free access to the Courts, by making patent litigation a dangerous gamble insofar as patentees are concerned (Resp. Br. 9)." This Court and others have recognized the illegality under the antitrust laws of using a federal tribunal as part of a scheme to restrain competition even in patented devices. *United States* v. *Singer Mfg. Co.*, 374 U.S. 174, 187-88, 195- 96 (1963); *Clapper* v. *Original Tractor Cab Co.*, 270

[3] Brief of Mid-Continent Investment Co. in Opposition to Petition for Writ of Certiorari, pp. 15-16, *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U.S. 661 (1944).

F.2d 616 (7th Cir. 1959); *cert. denied*, 361 U.S. 967 (1960); *Kobe, Inc.* v. *Dempsey Pump Co.*, 198 F.2d 416, 424-26 (10th Cir.), *cert. denied*, 344 U.S. 837 (1952). In the latter case the Tenth Circuit Court of Appeals answered respondent's contention by saying:

> We fully recognize that free and unrestricted access to the courts should not be denied or imperiled in any manner. At the same time we must not permit the courts to be a vehicle for maintaining and carrying out an unlawful monopoly which has for its purpose the elimination and prevention of competition. 198 F.2d at 424.

Respondent argues that the Court condoned in *Automatic Radio* the licensing scheme of respondent's assignor requiring a "licensee" to pay a royalty on the sale of unpatented replacement fabrics (Resp. Br. 36-37). But in *Automatic Radio Mfg. Co.* v. *Hazeltine Research, Inc.*, 339 U.S. 827, 834 (1950) the Court held

> that in licensing the use of patents to one engaged in a related enterprise, it is not *per se* a misuse of patents to measure the consideration by a percentage of the licensee's sales.

The Court expressly said, "We are not unmindful that convenience cannot justify an extension of the monopoly of the patent. [citing *Mercoid* and *B. B. Chemical Co.* v. *Ellis*, 314 U.S. 495]" *Ibid.*

There the licensor licensed patented radio broadcasting apparatus. Here respondent's assignor licenses unpatented replacement fabrics. Nothing in *Automatic Radio* condones this illegal expansion of combination patents enabling the patentee to derive additional profits from the sale of re-

placements for a spent unpatented element of the patented combination.

III. SINCE THE INTERLOCUTORY JUDGMENT REVERSED BY THIS COURT DEALT ONLY WITH PATENT INFRINGEMENT AND COULD NOT HAVE DISPOSED OF THE ANTITRUST LAW VIOLATIONS ARISING FROM RESTRAINING TRADE IN UNPATENTED FABRICS, THERE IS NO MERIT IN RESPONDENT'S CONTENTION THAT THE COURT HAS ALREADY REJECTED PETITIONERS' REQUEST TO BE RELIEVED FROM THE CONSEQUENCES OF THESE ANTITRUST LAW VIOLATIONS.

There is nothing in the interlocutory judgment (I 42-44) previously reviewed and reversed by this Court which even purports to dispose of petitioners' right to be relieved from the consequences of respondent's antitrust law violations. An interlocutory judgment concerning antitrust law violation is not subject to review by an appellate court. In re *Narragansett Pier Amusement Corp.*, 224 F.2d 231 (1st Cir.), *cert. denied*, 350 U.S. 862 (1955); *Michael Rose Productions, Inc.* v. *Loews, Inc.*, 246 F.2d 605 (2d Cir. 1957); *Cf.. United States* v. *FMC Corp.*, 11 L. Ed. 2d 20, 23 (1963) (opinion in chambers of MR. JUSTICE GOLDBERG). Petitioners' counterclaim for relief from the consequences of respondent's antitrust law violations is a separate and independent cause of action. *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U.S. 661, 671 (1944). Respondent's assertion (Resp. Br. 33) that the Court rejected our arguments concerning antitrust law violations is without substance.

IV. SECTION 271(D) DOES NOT EXCUSE THE MISUSE AND ANTITRUST VIOLATIONS OF RESPONDENT AND ITS ASSIGNOR IN MANIPULATING COMBINATION PATENTS TO RESTRAIN TRADE IN UNPATENTED REPLACEMENT FABRICS BECAUSE THOSE PROVISIONS ONLY PROVIDE THAT ONE WHO DOES WHAT IS AUTHORIZED BY STATUTE IS NOT GUILTY OF MISUSE.

Without showing how the language of 35 U.S.C. § 271(d) sanctions extending combination patents to embrace unpatented replacement fabrics or citing any legislative history, respondent asserts, "Congress, in enacting 35 U.S.C. § 271(d), sanctioned the conduct of the patent owner in this case, and stated that such conduct was not to be deemed 'misuse or illegal extention of the patent right.' (Resp. Br. 39)" the statutory language itself and the legislative history refute this contention.

The statutory provisions state what has always been the law. If the only thing the patentee has done is "derived revenue . . . licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent . . ." or "sought to enforce his patent rights against infringement or contributory infringement" and is "otherwise entitled to relief for infringement or contributory infringement", the patentee shall not "be denied relief or deemed guilty of misuse or illegal extension of the patent right." This paragraph "provides that one who merely does what he is authorized to do by statute is not guilty of misuse of the patent."[4] Section 271 neither amends nor refers to the

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[4] H.R. Rep. No. 1923 on H.R. 7794, 82d Cong., 2d Sess. 9 (1952). Additional legislative history is in our brief in No. 21, O.T. 1960. Brief for the Petitioners, pp. 60-61, *Aro Mfg. Co.* v. *Convertible Top Co.*, 365 U.S. 336 (1961). The Seventh Circuit Court of Appeals relied on *Aro* in rejecting an argument much like that advanced by respondent here. *Switzer Bros., Inc.* v. *Locklin*, 297 F.2d 39, 46 (7th Cir. 1961), *cert. denied*, 369 U.S. 851 (1962).

antitrust laws; hence, paragraph (d) creates no antitrust exemptions. Conduct, such as that condemned in the *Mercoid* cases, which prior to the enactment of Section 271 in 1952 violated the antitrust laws, still violates the antitrust laws.[5]

The fundamental points made by *Mercoid* and *Aro* are that one does not infringe a combination patent by the installation and use of one of the unpatented elements;[6] therefore, the seller of that unpatented element cannot be amerced as a contributory infringer. Since that unpatented element can be sold without the consent of the patentee, nothing in paragraph (d) absolves the patentee from misuse when he licenses and derives additional profits from the sale of the unpatented elements and seeks the aid of federal courts in reserving a monopoly in these unpatented replacement fabrics for the licensees of respondent's assignor, a monopoly very close to that condemned in *Mercoid* as a violation of the antitrust laws.

Respondent's contention (Resp. Br. 27-28) that there is no constitutional "requirement that claims be used, at all, to measure patent protection" is irrelevant because Congress has decided that the claims measure the scope

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[5] NORDHAUS & JUROW, PATENT-ANTITRUST LAW 245 (1961).

[6] "The present case, therefore, narrows down to this and no more: Is the making or the use of a new piece of fabric to replace the worn-out fabric cover of an automobile top attached to an automobile that the owner has bought and paid for as his own an infringement of a patent on that top?" *Aro*, 365 U.S. at 350 concurring opinion of MR. JUSTICE BLACK).

"The plaintiff further argues that the defendant had pirated the "heart" of its patent, i.e., the screw-jack and piercing pin idea. We can only answer, 'that there is no legally recognizable or protected "essential" element, "gist" or "heart" of the invention in a combination patent.' Aro Mfg. Co. v. Convertible Top Replacement Co., 1961, 365 U.S. 336, 345 . . . ." *Entron of Maryland, Inc.* v. *Jerrold Electronics Corp.*, 295 F.2d 670, 677 (4th Cir. 1961).

of the patent grant.[7] The contributory infringement provisions do nothing more than secure the patent holder's rights in attempts to impair a legitimate patent monopoly by selling the principal components for the purpose of assembling new units of the combination.[8]

Respondent cites a dozen lower court decisions (Resp. Br. 22) allegedly in support of its claim to monopoly rights over unpatented replacement fabrics sold to "repair" Ford cars made, used and sold with the consent of respondent's assignor (II: 510-11). The only two of these cases that were decided after *Mercoid* did not cite *Mercoid* and did not deal with a claim of a combination patentee to patent monopoly over replacements for a spent unpatented element of the patented combination.

Nothing in *Union Tool Co.* v. *Wilson*, 259 U.S. 107 (Resp. Br. 21) grants a combination patentee additional monopoly rights over replacements for an unpatented element. That case held that an infringer of a patent on a machine violated an injunction forbidding "the manufacture and sale, not

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[7] The very condition upon which a patent is issued is that the "specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention." 35 U.S.C. § 112 (1958). Compare this condition with the statutory requirement in 1944 when *Mercoid* was decided requiring that the applicant "shall particularly point out and distinctly claim, the part, improvement, or combination which he claims as his invention or discovery." Revised Statutes, Section 4888, 35 U.S.C. 33. As the Court said in *General Electric Co.* v. *Wabash Co.*, 304 U.S. 364, 369 (1937), the patent must precisely define the bounds of the grant "to guard against unreasonable advantages to the patentee and disadvantages to others arising from uncertainty as to their rights." Only through such sharp definition "may it be known which features may be safely used or manufactured without a license and which may not." (footnotes omitted)

[8] See *Wallace* v. *Holmes*, 29 Fed. Cas. 74 (No. 17100) (C.C.D. Conn. 1871) and our explanation of why we believe Congress codified the holding of this case and *Amalgamated Dental* (Pet. Br. 35 n.24) as the law of contributory infringement. Reply Brief for Petitioners, pp. 5-6; *Aro Mfg. Co.* v. *Convertible Top Co.*, 365 U.S. 336 (No. 21 O.T. 1960).

only of infringing machines, but also of parts or elements that might be used in combination to effect infringement", 259 U.S. at 108, when he sold spare parts "of such a nature that when used in combination they would effect an in-infringement." 259 U.S. at 109. Nothing in that opinion by Mr. Justice Brandeis remotely suggests approval of an expansion of the combination patent monopoly to restrain trade in an unpatented element of the patented combination. And his opinion nine years later in *Carbice Corp.* v. *American Patents Dev. Corp.*, 283 U.S. 27 (1931) expressly condemns such an illegal expansion of the combination patent monopoly. If respondent is unable to find authority forbidding a patentee from deriving additional profits from the sale of unpatented replacement elements (Resp. Br. 22), it should take note that the Second Circuit Court of Appeals followed the decision of this Court in this case in an opinion by Circuit Judge Moore rejecting contentions much like theose advanced by respondent here. *Farrand Optical Co., Inc.* v. *United States*, 139 U.S.P.Q. 249, 254-55 (2d Cir. 1963).

V. RESPONDENT'S CLAIM TO MORE THAN $1,000 IN COSTS ALLEGED TO HAVE ARISEN FROM THE 1959 APPEAL IN THE COURT OF APPEALS WAS EXPRESSLY REJECTED BY THE COURT OF APPEALS IN 1963.

Respondent falsely represents that it has received awards of costs of over $1,350 owed to it by petitioners (Resp. Br. 36). In the Taxation of Costs of $189.50 dated January 8, 1963 for insertion into the mandate when and if handed down, the First Circuit Court of Appeals Clerk said:

> After plaintiff filed its verified bill of costs herein, a proposal of taxation in the amount of $189.50 was

made on December 27, 1962. Thereafter, plaintiff [respondent] filed a "Memorandum in Opposition to Proposed Taxation of Costs", captioned in these cross-appeals, seeking inclusion in the current taxation of $1,161.40 which would have been the total amount of costs recoverable by plaintiff upon the prior appeal numbered 5488, if it had been fully successful therein on review. Such argument concerning retrospective costs in a prior case goes beyond the power of the Clerk to tax costs in these cross-appeals under the Rules; it goes to the discretionary power of the Court to allow such costs.

On December 27, 1962 the Court of Appeals ordered its mandate stayed pending our filing of a Petition for Certiorari in this Court and is still withholding its mandate. On February 15, 1963 we filed our Petition for Certiorari. Three days later on February 18, 1963 respondent filed a motion in the Court of Appeals asking that court to direct the Clerk to tax the retrospective costs of $1,161.40 on the prior appeal. On February 20, 1963 we filed a memorandum in opposition. On March 7, 1963 the Court of Appeals denied respondent's motion for increased taxation of costs. None of this material is in the record because the record accompanying the petition was certified by the Clerk of the Court of Appeals up to and including December 26, 1962.

Conclusion

The judgment of the Court of Appeals should be reversed with instructions to reinstate the judgment of the District Court insofar as it holds the patent not infringed or contributorily infringed without a finding on validity and order the District Court to award petitioners treble dam-

ages and counsel fees for respondent's violation of the antitrust laws.

Respectfully submitted,

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JANUARY 1964.